

A New “Consensus” in U.S.-China Policy:

Navigating the Perils of Cooperation and Competition

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Introduction

Over the past decade, U.S.-China relations have changed dramatically, and seemingly abruptly. The end of the decades-long U.S. policy vis-à-vis China has inaugurated a consensus on a new foreign policy approach to China that is, at the moment, reflexively confrontational, with both sides caught in a pattern in which each action is met with a counter-reaction. Some detractors have called the reaction and accompanying rhetoric about China “hysterical,” while others defend the new consensus because for them, containing Chinese power ambitions is an “existential struggle” the United States must win.

Delving into the complexities of the U.S.-China relationship, what emerges is that the shift in U.S. policy on China—as well as in China’s policy towards the United States—developed over three decades, shaped by structural factors brought on by the end of the Cold War, growing globalization and economic interdependence, differing ideologies, and shifting threat perceptions in the new post-Cold War multipolar security paradigm.

The consensus growing in the United States was fueled by the realization that China’s growing economic and military power now endangered America’s dominant position in the international rules-based order it led, requiring a shift in U.S. policy direction and a strategy of containment of Chinese power ambitions across the spectrum—militarily, economically, diplomatically, and technologically.

How did it come to this? What factors drove the changes in the U.S.-China policy, and how to understand the emergence in Washington of an elite consensus toward constraining Chinese power aspirations? How strong is the consensus, and who are its supporters and detractors?

The paper seeks to provide insight into what is now a new strategic approach to China, in which targeted competition has replaced the earlier prevalence of cooperative engagement. The paper looks first at the shift in the U.S.-China policy, from the Obama administration, where the “pivot to China” was first conceptualized, to the completion of the pivot to China under President Joe Biden—in an environment now shaped by hardened geopolitical competition across the globe. The paper then turns to the new consensus in Washington and to Washington’s policy elite to ascertain the degree of support or criticism of the emerging policy position on China, and to assess its impact on U.S.-China policy.

U.S.-China Strategy: Shifting Dynamics

After Nixon's visit to China in 1972, U.S.-China relations depended on a pragmatic relationship driven by robust trade and economic and technological integration. From the 1980s on, American economic investment and market expansion helped spur a Chinese economic growth rate that enabled the global economy to expand and prosper. This approach—the view that closer economic and trade ties with China would lead China to gradually liberalize, democratize, and embrace the liberal international order—undergirded U.S. policy towards China from the 1970s through the 1990s.

As China's economic power grew, so, too, did its regional and global ambitions, especially after 2000 and its accession to membership in the World Trade Organization in 2001. The view that China's integration into the established rules-based international order would bring economic and ultimately political liberalization was increasingly challenged by growing concerns over China's actions—its expanding military power, its human rights violations, forced technology transfers, growing domestic authoritarianism, and its mercantilist behavior and a long list of World Trade Organization violations. The decade-long transformation of the Chinese Communist Party from a collective leadership to Xi's full consolidation of power and supreme leadership also revealed the false promise of economic liberalism creating a more liberal democratic system of government.¹

But Chinese leaders were also reevaluating China's relationship to the United States. Increasingly, they saw U.S. actions as meddling in China's internal affairs—American criticism of China's human rights record and its increasing authoritarianism—and as evidence that the United States intended to isolate and block China's rise to power. But they also saw America's power position weakening: Afghanistan, Iraq, the American-induced 2008 financial crisis, and its domestic problems reflect this waning influence. Some U.S. China experts argue the 2008 financial crisis was seen as an "inflection point" by Chinese officials, confirming for them that the United States is no longer an effective leader and steward of the global economy.²

These and other factors have led the Chinese leadership to conclude they are in a period of prolonged struggle with the United States and that the era of U.S. unipolarity is giving way to a world in which China's power position in the international system is ascendant and inevitable. In its increasingly assertive foreign policy, China officials offer other countries, especially in the developing world, a China-led international order that is portrayed as a more "peaceful and viable" alternative to the existing "chaotic" American-led international order. In this competition, China's goals are clear: strategic

parity in military and economic strength with the United States and a formative role in global governance.³

President Obama, who spoke of himself as the “first Pacific president,” came into office determined to rectify what he saw as the previous administration’s neglect of Asia.⁴ Initially, Obama sought to reduce tensions and gain Chinese cooperation on global issues where U.S. and Chinese interests intersected. But by 2010, rising trade tensions, rapid military expansion in the South China Sea, and disputes in the Indo-Pacific region involving China led to an abrupt change in Obama’s China strategy.

The Obama administration’s rebalancing or “pivot” to Asia was a multi-levelled policy designed to reinforce America’s traditional role and engagement in the region while strengthening existing cooperative ties with China and encouraging its leadership to engage constructively—in multilateral organizations, trade, security concerns, and in respect for human rights and democratic norms.⁵ For Obama officials, China’s increasingly aggressive behavior in the Indo-Pacific region was evidence of a political shift within China. By 2016, Obama’s defense secretary, Ash Carter, spoke of “a return to great power competition.”⁶ Gradually, China’s rise in power—militarily, economically, and via its use of development aid and assistance to gain influence globally—began to alarm U.S. security policy experts.

Domestic obstacles and international setbacks during Obama’s second term conspired to limit the success of his effort to rebalance America’s engagement in Asia. Any effort to maintain a constructive dialogue with the Chinese leadership was cut short by the 2016 election of Donald Trump as president.⁷ The Trump administration’s China policy was aggressive but unpredictable. As Trump’s personal engagement on China waned, the “China hawks” in his administration, including then Secretary of State Mike Pompeo, waged an escalating policy of confrontation with China. In 2020 alone, for example, the Trump administration took 210 public actions against China across at least ten U.S. government agencies and sanctioned 90 Chinese entities and individuals. It placed tariffs on Chinese products, imposed trade sanctions and export controls, announced visa restrictions, and took measures to deny Chinese access to U.S. technology.⁸

The Biden Administration

With Joe Biden’s election in November 2020, China observers expected Biden to reverse the strictly adversarial approach pursued under Trump. While the tone set by Biden was more felicitous, Biden officials signaled that the administration would maintain Trump’s tariffs and export controls. As the administration reviewed its strategy towards China, officials emphasized that its approach would be different. As Secretary of State Antony Blinken explained, the United States will be “competitive when it should be, collaborative where it can be, and adversarial when it must be.”⁹

On March 3, 2021, the Biden administration released an Interim National Security Strategic Guidance (INSSG), the first administration to have issued such a document. The INSSG gave notice that the administration would take a more confrontational course with China. It kept Trump's framing of the key national security challenges as a geopolitical power competition driven by Russia and China but signaled that China was the more serious strategic challenge. Contrary to Trump's foreign policy, however, the INSSG emphasized the need for international engagement and cooperation over unilateralism and commitment to multilateralism and America's allies and partners, and for the first time in a national strategic document gave prominence to the linkage between America's domestic renewal and a successful U.S. foreign policy.¹⁰

On October 7, 2022, the Biden administration took action, announcing new U.S. export controls on semiconductors and chip-making equipment. The "carefully tailored restrictions" were implemented out of national security and foreign policy concerns. The scope and breadth of the measures took observers by surprise. The export controls, designed to cut off Chinese access to key technologies in the global semiconductor supply chain, would prevent Chinese access to high-end AI chips, U.S.-made chip design software, and U.S. semiconductor equipment, and it would prevent China from acquiring U.S.-built semiconductor components and manufacturing equipment. Officials noted that additional controls on other sectors—biotechnology, quantum technology, and AI—would also be considered.¹¹

Biden's National Security Strategy (NSS), released October 12, 2022, expanded on themes introduced in the INSSG and set the strategic outlines for the administration's China policy. A core strategic challenge facing the United States is major power competition between the United States and China and Russia in which the priority is out-competing China while constraining Russia (see text box).¹² Biden officials made clear that while the White House will manage the competition with China "responsibly" and work with China where there is common interest, they regard China as America's primary geostrategic competitor and will act decisively to protect American national interests.¹³

"The PRC is the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it. Beijing has ambitions to create an enhanced sphere of influence in the Indo-Pacific and to become the world's leading power."

– National Security Strategy, The White House, October 2022

In sum, the decades-long consensus in U.S.-China policy that mutual economic interest and China's integration into the liberal economic order would bring in its wake a more liberal and democratic system of governance had come to be seen as naïve in the wake of China's rise and its circumvention of existing norms, rules, and conventions that defined the liberal world order. Growing distrust of China's behavior and its motives across successive U.S. administrations led to a reappraisal of U.S.-China relations and a more muscular approach to counter China's growing strategic challenge to U.S. global interests. Attitudes have hardened against

China, forming around them a different consensus—that China must be countered at all costs, and at all levels of engagement—economically, technologically, militarily, and diplomatically.

It is an approach that has shifted the needle in the balance between cooperation and competition, and its zero-sum approach will likely lead to more confrontation. Some see in this transformation the completion of the pivot to Asia, but the bureaucratic process of institutionalizing this consensus is still in full swing. This brings ever more, and increasingly ancillary, government actors into play, decreases flexibility in policy, and raises the costs of nuance or dissent.

The New Consensus On China

Executive Branch

In their various statements, Secretary of State Antony Blinken and National Security Advisor Jake Sullivan lay out the administration's position: China is the greatest long-term challenge to the U.S. (see text box).¹⁴ The U.S. is prepared to increase cooperation but, regardless of China's actions, it will respond forcefully to counter Beijing's efforts to remake the international order by investing at home, aligning with partners and allies to act in tandem, and competing to defend U.S. interests.¹⁵ The National Security Council's newly formed Indo-Pacific directorate is populated with officials who long supported a more robust approach to Beijing.¹⁶

“To get the balance between cooperation and competition right...the best approach, then, will be to lead with competition, follow with offers of cooperation, and refuse to negotiate any linkages between Chinese assistance on global challenges and concessions on U.S. interests.”

– Kurt Campbell, Jake Sullivan, Foreign Affairs, 2019

U.S. government institutions and Congress have responded to the emphasis on China as articulated in the NSS. The strategic competition with China, particularly in the Indo-Pacific region, has driven the administration's 2024 budget requests to Congress. The budget lays out \$6 billion for investment in the Indo-Pacific region by offering U.S. loans for development projects strengthening its partners in the region.¹⁷ The State Department and USAID would receive \$61.3 billion—admittedly vastly below the \$842 billion request for the Defense Department.¹⁸ A “Countering the PRC Fund” and support for infrastructure projects, economic assistance, and other initiatives are included, as is \$3.2 billion in discretionary funding to invest in strengthening alliances and partnerships in the region, and \$7.1 billion for Pacific Island nations, where China has been particularly active.¹⁹

The State Department undertook a key institutional reform in December 2022 by replacing the China Desk in the Bureau of East Asian and Pacific Affairs with the Office of China Coordination, known informally as the “China House.” With staff drawn from geographic and thematic bureaus across the State Department and from other U.S. federal agencies and departments, China House is designed to eliminate “silos” across government to share information, coordinate more effectively, and respond more quickly to Chinese actions across the globe.²⁰ Blinken has highlighted the need for reestablishing communications with Beijing and has sought a high-level meeting with

Chinese officials, but so far the Chinese government has not responded to his requests for an official meeting, and Blinken was accused of avoiding criticism of China's human rights record to get the Chinese to reopen talks.²¹

Regarding the Department of Defense, American defense priorities are strategically aligned with the NSS and articulated in the National Defense Strategy (NDS) and the Indo-Pacific Strategy of the United States. The U.S. Department of Defense is a major beneficiary of the new focus on China. The 2024 defense budget— at \$842 billion the largest ever requested—prioritizes the “pacing challenge” of China in all areas and levels of engagement, especially in the Indo-Pacific region. The defense budget allocates \$9.1 billion for the Pacific Deterrence Initiative—a 40% increase from last year's budget—to upgrade U.S. equipment, assure stronger homeland defense (Hawaii, Guam), and collaborate with allies and partners in the region (AUKUS).²² In response to a March 2023 congressionally-mandated independent assessment of U.S. strategic needs in the Indo-Pacific region, the Pentagon requested an additional \$15.3 billion to build up U.S. Pacific forces in 2024, with an additional \$71.8 billion for 2025-2028.²³

“I think that the rhetoric itself can overheat the environment... I don't believe war is inevitable. I don't think it's imminent... I just think that it needs to be a bit more realistic and a bit less, perhaps, emotional...”

- General Mark Milley, Interview with Defense One, March 31, 2023

While acknowledging that China is now the “pacing challenge” for the United States, differing views have surfaced among military leaders—not about the Chinese strategic threat to the United States but about the inevitability and imminent danger from China, particularly over Taiwan.²⁴ One Air Force general predicted China and Taiwan, and, by extension, the United States, will be at war by 2025. This led to an outburst of criticism, and the Pentagon released a statement saying the comments were not representative of its position on China. Others shared this alarming prognosis, including Republican leaders. Nevertheless, General Mike Milley, chairman of the Joint Chiefs of Staff,

spoke out following a March 2023 congressional hearing against the overheated rhetoric in Washington, saying that everyone needed to “calm down” (see text box).²⁵

U.S. Congress

The escalating rhetoric and reactive posture are strongest in Congress, and it is driving policy. The general agreement among congressional leaders in both parties and among policy experts is that the only major issue for which there is bipartisan consensus in Congress is to take an increasingly confrontational position against China. The consensus is strong because it is widely shared across the political spectrum, from the extreme right of the Republican party (the “America First” and Tea Party factions) and the moderate right to the more conservative Democrats through to liberals and progressives.

The bipartisan consensus was evident in the Republican support of Biden’s bill banning TikTok from U.S. government phones and the administration’s export control restrictions and the Democrats’ support for the establishment of the Republican-led House “Select Committee on the Chinese Communist Party” in January 2023. Observers commented on the unusual bipartisanship evident in the Select Committee’s first meeting, but others argued that its impact will be minimal because it lacks the jurisdiction to act.²⁶

The China issue permeates congressional debates. In one week alone in February 2023, Congress held seven hearings in which China was a prominent topic, ranging from a House Foreign Affairs hearing on “Combatting the Generational Challenges of CCP Aggression” to the House Financial Services Committee’s acceptance of ten bills aimed at reducing Chinese economic power, and the first session of the House Select Committee on China (see text box).²⁷

“This is not a polite tennis match... This is an existential struggle over what life will look like in the 21st century.”

– Mike Gallagher, Republican committee chair, U.S. House Select Committee on China

There is broad agreement that the challenge posed by China must be met on multiple fronts—militarily, economically, ideologically, diplomatically, and technologically. To this end, Congress has signaled it will continue to investigate a wide range of challenges it sees from China: rising Chinese military power and its impact on the U.S. presence in the Indo-Pacific region, its drive to dominate emerging technologies and its state-directed efforts to cripple foreign competition, and its interest in subverting the existing rules-based order.²⁸

But while the “what” of the bipartisan consensus appears firmly established on Capitol Hill, there is no consensus on determining the “how”—the right mix of policies—while preserving U.S. economic security. In a recent U.S. House of Representatives Science Committee meeting, these differences were on display. Democrats argued the way forward must be through more investment in capabilities at home, such as more funding for research in science and technology and training a skilled workforce. Republican members opposed spending on research and advocated implementing sanctions and trade measures against Chinese efforts to access U.S. technology. Thus, Democrats and Republicans alike want the U.S. to win the technology race, but Democrats see the U.S. prevailing by “running faster,” through investing in research and a skilled labor force, while Republicans prioritize punitive measures to prevent Chinese technological advancement.²⁹

The Private Sector

The Biden administration and Congress have moved to contain China’s global ambitions and its technological advancement, led by the conviction that China was “weaponizing” its economic and trade policies in a strategy meant to dominate critical technologies

and industries to expand Beijing's economic and military dominance.³⁰ The set of federal rules, executive orders, and legislation enacted aim to strengthen regulations and foreign investment in the U.S. and limit exports of sensitive technologies to Chinese entities that might endanger U.S. national security interests.³¹

“It took a long time for the United States to get here. After decades of ratcheting Chinese government provocations... the Biden administration is saying, ‘enough is enough.’ This is not a policy of decoupling (yet), but it is proof of the United States’ unwillingness to remain tightly coupled to the Chinese technology sector under previous conditions.”

– Gregory C. Allen, CSIS

Signed into law on August 9, 2022, the bipartisan CHIPS and Science Act (CHIPS Act) invests \$52.7 billion to strengthen domestic semiconductor manufacturing, design, and research, aimed at reducing reliance on Chinese manufacturers (see text box).³² On October 7, 2022, the Commerce Department issued restrictions on the sale of semiconductor technology to China. The restrictions halt the export of computer chips to Chinese technology companies as well as chip-making equipment unless they receive an export license.³³ The Biden administration's decision on semiconductors was intended to reduce potential risks to U.S. national security. It

is this melding of economic security with national security that now characterizes U.S. economic relations with China.³⁴

The aggressive stance towards China has created some turmoil in the business community, which has fought rearguard actions on Capitol Hill against Republicans and Democrats alike to avoid aggressive trade restrictions that would harm American businesses.³⁵ The desire for greater confrontation comes from Republican policymakers who see the need for more decoupling, stoking fears among Democrats that a Republican win in 2024 would give such lawmakers free rein.³⁶ Administration officials continue to emphasize that the administration's actions do not constitute decoupling from China's economy and that it will continue to engage constructively with China. The difficulty, however, lies in finding the line between engagement and confrontation.³⁷

Few experts seem to think that the restrictive measures and decoupling strategy have yielded much benefit. The Chinese economy does not appear to be much weakened by restrictive measures under the Trump and Biden administrations. U.S.-China bilateral trade, for example, hit a new record in 2022 of \$690.6 billion. U.S. exports to China increased by \$2.4 billion to \$153.8 billion while imports of Chinese goods also rose by \$31.8 billion to \$536.8 billion.³⁸ It is not clear that decoupling and shifting production will actually make companies less dependent on China, as other countries—Vietnam and South Korea, for instance—are also entwined with Chinese sectors of globalized supply chains. And the dual-use nature of many high-tech products such as semiconductors could hurt U.S. firms that produce them for commercial use, not military.³⁹

Has the business community been supportive of the new consensus on greater confrontation with China? Some see the need for finally taking action against China's unfair trading practices, approving of Biden's steps in semiconductors as a positive step forward to ensure U.S. leadership in the sector.⁴⁰ A RAND 2022 report on the attitudes of the business community surrounding Trump's trade war with China is instructive. Most business leaders acknowledge China's unfair practices that have disadvantaged U.S. businesses but have no plans to exit the Chinese market. A Chamber of Commerce March 2023 study reported that few companies planned to decrease their investments or leave the Chinese market, anticipating "significant" growth in business activity in the coming year. And companies are unsure about the decision to use economic tools to induce changes in Chinese political or strategic positions.⁴¹

Finally, the melding of economic security and national security—the declaration of the need for a U.S. industrial policy in national security documents—will have an impact. Biden's "foreign policy for the middle class" and NSS references to a U.S. industrial strategy imply a new and sizable role of the government in the U.S. economy. According to Commerce Secretary Gina M. Raimondo, a strong partnership between business and government is necessary to compete with China. Raimondo laid out the argument in a November 2022 speech: because of the comprehensive nature of China's threat, the business sector will have to adapt to the realities of what that competition will require—namely, that business interests must be harnessed in support of broader strategic objectives (see text box).⁴²

"Finally, I hear often from U.S. business leaders about the challenges this rapidly changing policy environment poses to their ability to make smart, long-term investment decisions...it's on us in the government to provide clear and consistent guidance that the business community needs to succeed...At the same time, it's on the private sector to recognize that we're operating in a fundamentally different strategic environment from a decade ago and to work with us to realize our economic and national security objectives."

– Secretary of Commerce Gina M. Raimondo, remarks on the U.S. Competitiveness and the Chinese Challenge, November 30, 2022

China Consensus: The Critics

While there is strong agreement on confronting China, there are differences in how to address the challenges posed by China. Conservative policy experts charge the Biden administration is doing too little to counter China, while progressives such as Bernie Sanders are critical of the new consensus because it is harmful to other U.S. interests, accelerating military expansion in both

"Yet well-warranted alarm risks morphing into a reflexive fear that could reshape American policy and society in counterproductive and ultimately harmful ways."

– Jessica Chen Weiss, Foreign Affairs, Sept/Oct 2022

countries and, importantly, endangering the chances for mutual cooperation on a host of critical global challenges (see text box).⁴³

The greatest number of critics opposed to a confrontational policy towards China are China experts in trade and foreign policy. Their concerns are that the new consensus that China is an existential threat creates a zero-sum game replete with punitive measures that heighten the risk of real harm to the U.S. economy and its future, and they call for the Biden administration to de-escalate tensions.⁴⁴ Many China experts believe the bipartisan consensus is simply a classic example of groupthink and risks overextending itself. There are questionable assumptions being made—that American allies and partners will eventually fall in line with the U.S. position, or that the United States is capable of staying ahead of the curve in the technology race against China.⁴⁵

Defining the U.S.-China relationship only in adversarial terms can be extremely damaging to the United States. At present, despite the deep interdependence, neither side appears willing to abandon the retaliatory responses that could be harmful to both countries if conditions spin out of control. If the U.S. objective is to develop a relationship that reflects American interests and values, then successive U.S. governments must find strategies to stabilize the relationship while maintaining a competitive edge in key areas that will drive U.S. economic and technological performance.⁴⁶

“But if investments in narrower, fit-for-purpose coalitions continue to take priority over broader, inclusive agreements and institutions...geopolitical tensions will break rather than reinvigorate the international system.”

– Jessica Chen Weiss, Foreign Affairs, Sept/Oct 2022

The concern is especially pronounced in areas where global cooperation is urgent and where the United States and China have shared interests, such as climate change or building a responsive global public health strategy. Since critics agree that the relationship is at a stalemate, they want to find ways to open channels of communication between U.S. and Chinese leadership, especially at levels where subject matter experts communicate, and then build guardrails into the relationship by creating mechanisms that reduce risk.

The dilemma, for both the United States and China, is to find a balance between competition and cooperation in the face of deep economic interdependence. Ryan Hass, a China specialist and former National Security Council director for China, Taiwan, and Mongolia, defines the dilemma. As the NSS states, China is the only country capable of challenging the United States across critical attributes of power—economic, diplomatic, military, technological, and research and development. By 2030, the U.S. and China are estimated to hold 70% of the \$15.7 trillion that AI is expected to add to the global economy.⁴⁷ This deep—and continuing—interdependence is now set against an increasingly antagonistic relationship, even while U.S.-China trade continues to grow and remain robust (see text box).⁴⁸

Conclusion

A confrontational approach in U.S.-China relations is the new paradigm in Washington—widely supported, deeply rooted, and not likely to change in the near future. Given this political reality, the question remains how to find a balance between targeted competition and a deep interdependence that demands cooperative engagement. The Biden administration is at pains to clearly delineate these lines, but there is no longer an expectation that China will alter its course. Thus, as Secretary of State Antony Blinken put it, the United States will “shape the strategic environment around Beijing to advance our vision for an open, inclusive international system.”

Critics acknowledge the need to respond to China’s violation of international human rights laws and increasingly aggressive foreign policy but see more harm than good in continuing the present course of a reflexive retaliation in kind. Most critics see current tensions continuing, even if there is some movement towards accommodation.

Three points stand out in the broader assessment of the U.S.-China relationship. First is the reminder that China is a significant part of the global economy, with more than 120 countries counting China as their number one trading partner. Checking China’s global ambitions must be weighed against the potential destabilizing of the global economy if punitive measures go too far.

Second, close coordination with U.S. allies and partners will be needed to achieve American strategic objectives, and the Biden administration has prioritized and strengthened strategic partnerships in the Asia-Pacific region and beyond. But most countries do not want to be forced to choose sides nor wish to see the world divided into two opposing camps. Few countries will want to align themselves with U.S. anti-China initiatives if such initiatives have the potential to impose high economic or political costs on them.

Finally, continued tensions may well prevent urgent action required to address global crises—climate change, future global health crises, or food security, to name only a few. The United States and China can take steps to explore these areas of shared interest. These complex global challenges require both the United States and China to work in tandem with the international community to find workable solutions.

The Biden administration continues to articulate what it sees as the contours of a new Washington consensus on China. The aim is for a managed competition that lowers the escalatory rhetoric, reduces risks, and re-establishes diplomatic lines of communication. For the United States and China, reaching a commitment on both sides to explore avenues of cooperation while acknowledging that, for the foreseeable future, the U.S.-China relationship will be defined by competition—and seeking mechanisms to manage it—seems a feasible way to move forward.

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